

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 24, 2008
POSITION: Oppose

BILL NUMBER: SB 1617
AUTHOR: C. Kehoe

BILL SUMMARY: State Responsibility Areas: Fire-Related Benefit Fees

Existing law and regulation separates the state into Local Responsibility Areas (LRAs), State Responsibility Areas (SRAs), and Federal Responsibility Areas (FRAs) to define who is financially responsible for providing specific fire protection services. This bill would institute a fee on residents in SRAs to fund additional fire prevention programs operated by the Department of Forestry and Fire Protection (CAL FIRE).

FISCAL SUMMARY

This bill would require the Board of Forestry (Board) to adopt emergency regulations by July 1, 2009 to establish the fee. The fee would be \$50 per structure (adjusted for inflation) that is on a parcel subject to property taxes within SRA, and would not be based on fire hazard zones, defensible space, or other factors. We note that there are approximately 811,000 residential structures in SRAs, and a fee of \$50 would generate \$40.6 million annually.

Because the fee would not be collected as part of a property tax assessment, the cost to CAL FIRE to administer a comprehensive fee collection program would be approximately \$15 million and 150 positions and one-time costs of about \$4 to \$5 million for a tracking system. Therefore, approximately half of the revenue collected would be available to fund approved fire prevention activities. Costs to develop a database of structures subject to the fee and administer the program before fee revenue is collected would be borne by the General Fund. These costs are likely several million dollars or more.

The bill would create the State Responsibility Area Fire Protection and Prevention Fund (SRA Fund) and require that fee revenue be deposited into the fund. The bill would also require that expenditures from the SRA Fund be dedicated to specified fire prevention activities or to pay for administrative costs. Fee revenue not dedicated to administrative costs would likely be fully appropriated each year to support the approved fire prevention programs. Revenue would not be available to offset CAL FIRE's General Fund operating costs. However, to the extent that fire prevention programs would be effective at reducing the size and number of major fires, the bill could result in substantial General Fund cost avoidance.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the April 24, 2008 version include the following significant amendments which do not change our position:

- The fee amount would now be \$50 per structure that is on a parcel subject to property taxes within SRA, and would not be based on fire hazard zones, defensible space, or other factors.
- The fee would no longer be charged directly on the property tax bill.
- Fee revenue would now be entirely dedicated to specified fire prevention programs and administrative costs related to implementing the fee.

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COMMENTS

Finance opposes this bill for the following reasons:

- The fee structure established by the bill would not be a cost-effective way to fund fire prevention activities because about half of the revenue would be necessary for fee collection and administrative overhead.

Analyst/Principal (0634) M. Almy	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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- It is unclear whether the Board could develop a database of SRA structures on parcels subject to property tax in time to collect the fee in 2009-10. Developing the database would be a lengthy, expensive process. These costs would be initially funded by the General Fund, but the bill does allow for the recoupment of start-up costs incurred over a period of not more than one year. However, it is unclear whether start-up costs would be entirely incurred within one year or how significant of a General Fund impact there would be.

Existing law and regulation separates the state into LRAs, SRAs, and FRAs to define who is financially responsible for providing specific fire protection services. The Board is authorized to designate lands as LRA or SRA. The Board uses a structure density of three per acre as a general guideline. Areas with a density greater than three structures per acre are typically designated as LRA and areas with a lower density are designated SRA. However, the Board also considers other factors such as the size of a community, proximity to other communities, and the ability to support a fire district responsible for both structure and wildland fires. Regardless of density and size, all incorporated land is automatically designated as LRA. Federal land is designated as FRA.

Currently, no special fees or assessments are charged to residents of SRAs to support CAL FIRE's fire protection program. In the 2007-08 fiscal year, the General Fund provided \$518 million for CAL FIRE's baseline fire protection program. To address the significant budget shortfall, the Legislative Analyst Office has recommended establishing an SRA fee to offset General Fund support for CAL FIRE's fire protection program. The policy rationale for this approach is that an SRA fee would provide for a more appropriate cost-share to fund CAL FIRE's fire protection operations. Specifically, those who live in SRA receive a greater benefit from CAL FIRE's services because their homes and property are at immediate risk from wildfires. Furthermore, the presence of homes in SRA has an adverse impact on CAL FIRE's ability to suppress wildfires. We note, however, that this bill would specify that funds be used for additional fire prevention programs, and not to offset General Fund support for CAL FIRE's fire protection program.

The Board would be required to adopt emergency regulations by July 1, 2009 to establish the fee to be charged to structure owners in SRAs. However, the Board does not have a database of structure owners in SRA, and developing such a database would be costly and time consuming. The bill would also require that expenditures from the SRA Fund be dedicated to fire prevention activities and fee related administrative costs. The fire prevention activities include defensible space inspections, public education, fire severity and hazard mapping in SRA, local assistance grants, grants to the Conservation Corps, local corps, or non-profits for fire prevention projects, or other fire prevention activities in SRA authorized by the Board.

The bill would also establish an appeal process. A property owner would be required to petition CAL FIRE and the Board for a redetermination of his fee level within 30 days of receiving the charge. CAL FIRE would notify the Board and the petitioner of its decision, and the fee level would be considered final 30 days after the petitioner received the notice of determination from CAL FIRE.

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		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	Code
1317/Misc Rev-Loc	RV	No		--	U	\$40,600	U	\$40,600	0499
3540/Forest&Fire	SO	No		----- See Fiscal Summary -----					0001
3540/Forest&Fire	SO	No		--	C	\$40,600	C	\$40,600	0499
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0499	Pending New Special Funds								